

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

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**CITY OF BELLEVUE
BELLEVUE, IOWA**

OFFICIALS

Name	Title	Term Expires
Virgil Murray	Mayor	2012
Dan Blitgen	Council Member	2014
Michael Dempewolf	Council Member	2012
Tim Roth	Council Member	2012
Gary Feuerbach	Council Member	2014
Darla Lawson	Council Member	2014
Loras Herrig	Administrator	2013
Janet Callaghan	City Clerk	2013
Cindy Blake	Assistant Clerk	2013
Steven Kahler	Attorney	2013
Lynn Schwager	Police Chief	2013
Chuck Kueter	Street Supt.	2013

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. MCCARTHY, CPA
E.A. SCHILLING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Bellevue's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2012, on our consideration of the City of Bellevue's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bellevue's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
June 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellevue provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts included \$837,102 in property tax, \$286,488 in TIF, \$172,740 in local option tax, \$209,636 in road use tax.
- Disbursements decreased 8.0% in fiscal 2011 from fiscal 2010, a total of \$513,979. Disbursements in governmental activities decreased 10.4%, a total of \$292,448 and business type activities disbursements decreased \$221,531 or 6.1%.
- The City's total cash basis net assets increased \$738,905 or 73.2% from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased \$331,400 and the assets of the business type activities increased \$407,505.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and proprietary funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include water, sewer, electric, garbage, ambulance service, and telecommunications services. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund; 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains ten Enterprise Funds to provide separate information for the water, sewer, electric, garbage, ambulance, cable television, and customer deposits funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$781,707 to \$1,113,107. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2011	2010
Receipts and transfers:		
Program Receipts:		
Charges for services	\$ 58,241	\$ 57,943
Operating grants and contributions	671,561	294,758
Capital grants and contributions	231,810	719,804
General Receipts:		
Property tax	837,102	722,589
Tax increment financing	286,488	401,214
Local option sales tax	172,740	171,326
Other city tax	16,801	4,534
Unrestricted investment earnings	4,699	2,893
Note proceeds	---	250,000
Other general receipts	48,380	42,338
Transfers, net	521,640	570,126
	-----	-----
Total receipts and transfers	\$2,849,462	\$3,237,525
	-----	-----
Disbursements:		
Public safety	\$ 690,612	\$ 434,801
Public works	429,592	359,853
Culture and recreation	272,426	238,277
Community and economic development	50,640	76,579
General government	347,785	346,116
Debt service	690,358	741,952
Capital projects	36,649	697,932
	-----	-----
Total disbursements	\$2,518,062	\$2,895,510
	-----	-----
Increase in cash basis net assets	\$ 331,400	\$ 342,015
Cash basis net assets beginning of year, as restated	781,707	352,189
	-----	-----
Cash basis net assets end of year	\$1,113,107	\$ 694,204
	=====	=====

Total receipts for the City's governmental activities decreased by 12.0%, or \$388,063. The total cost of all programs and services decreased 13.0%, or \$377,448. The decrease in receipts was caused mainly by a reduction in loan proceeds of \$250,000. The completion of capital projects eliminated the need for additional borrowing and also accounted for the reduction in total disbursements.

The cost of all governmental activities this year was \$2,518,062 compared to \$2,895,510 last year. Disbursements in the public safety, public works, culture and recreation functions increased \$359,699 while debt service and capital projects decreased \$712,877. As previously noted, major capital projects decreased significantly as the City deliberately slowed capital investment to maintain reserves. The main increase in disbursements was in the area of public safety as a new ambulance was purchased along with fire safety equipment.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charge for services:		
Water	\$ 277,806	\$ 282,443
Electric	2,271,236	1,878,253
Sewer rental	438,198	392,777
Sanitation	285,203	286,205
Ambulance	139,030	113,319
Telecommunications	816,428	803,492
Operating grants and contributions	8,271	8,271
Capital grants and contributions	---	18,000
General receipts:		
Unrestricted interest on investments	8,583	6,640
Miscellaneous	100,076	105,285
Proceeds of debt	---	2,815,000
	-----	-----
Total receipts	\$ 4,344,831	\$ 6,709,685
	-----	-----
Disbursements and transfers:		
Water	\$ 220,087	\$ 182,996
Electric	1,854,957	1,929,200
Sewer rental	169,084	925,965
Sanitation	249,745	268,221
Ambulance	106,784	92,346
Telecommunications	804,681	2,749,717
Customer's deposits	10,348	9,023
Transfers, net	521,640	570,126
	-----	-----
Total disbursements and transfers	\$ 3,937,326	\$ 6,727,594
	-----	-----

Changes in Cash Basis Net Assets of Business Type Activities (Continued)

	Year Ended June 30,	
	2011	2010
Increase (decrease) in cash basis net assets	\$ 407,505	\$ (17,909)
Cash basis net assets beginning of year, as restated	227,534	332,946
Cash basis net assets end of year	<u>\$ 635,039</u>	<u>\$ 315,037</u>

Total business type activities receipts for the fiscal year were \$4,344,831 compared to \$6,709,685 last year. The decrease in receipts was due to the completion of borrowing for the telecommunications project.

Total disbursements and transfers for the fiscal year were \$3,937,326 compared to \$6,727,594 last year. Disbursements decreased due to the completion of the telecommunications project and in fiscal year 2010, the City expended a large amount in the sewer fund to refinance the sewer debt.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bellevue completed the year, its governmental funds reported a combined fund balance of \$1,113,107, an increase of \$331,400 from last year's total. The following are the major reasons for the changes in fund balances of the major funds from the previous year.

- The General Fund cash balance increased from \$560,593 to \$745,002 due to a determined effort by the City to reduce costs whenever possible. The City would like to increase reserves to prepare for any future economic downturns.
- The TIF District Fund cash balance increased from \$98,805 to \$107,177 due to higher than anticipated TIF receipts. Excess funds will be used to accelerate debt reduction.
- The Capital Projects Fund cash balance increased from \$(105,994) to \$11,613 due to the completion of capital projects and the final borrowing to pay for projects.
- The Debt Service Fund cash balance remained relatively unchanged from the prior year.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Water Fund cash balance increased from \$318,886 to \$338,377 as operating profits exceeded anticipated expenses. Anticipated projects will be paid for with accumulated reserves.
- The Electric Fund cash balance increased from \$527,747 to \$790,532 as a result of continued expense reduction measures instituted by staff. Reserves are being increased at this time to pay for future improvements.

- The Sewer Fund cash balance increased from \$(86,363) to \$(59,003). This fund will eventually have a positive cash balance as rate increases and cost cutting return the operation to profitability.
- The Sanitation Fund cash balance increased from \$13,849 to \$15,227 as a result of reduced operating expenses. Future rate increases will be necessary to increase profitability as expense increases are anticipated.
- The Ambulance Fund cash balance increased from \$178,508 to \$216,109. This fund continues to grow as call volume remains strong. No major expenditures are anticipated so growth in reserves should continue.
- The Telecommunications Fund cash balance increased from \$(825,839) to \$(812,404) due to increased revenues. This fund will be replenished with final borrowing for the project.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 24, 2011 to provide for possible disbursements before year end.

The City's receipts remained strong through year end, but did not reach the amended levels.

The City's total disbursements were under budget by \$1,553,463. The actual disbursements that were anticipated did not happen before year end. Some of the expenses actually occurred in the next fiscal year.

DEBT ADMINISTRATION

At June 30, 2011, the city had \$4,600,431 in long-term debt, compared to \$5,294,890 last year, as shown below.

Outstanding Debt at Year-end		
	June 30,	
	2011	2010
General obligation notes	\$ 2,439,546	\$ 2,982,643
Revenue notes	1,912,711	1,981,984
Other obligations	248,174	330,263
	-----	-----
Total	\$ 4,600,431	\$ 5,294,890
	=====	=====

Debt decreased as a result of normal debt amortization. Total principal paid during the year was \$694,459.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,439,546 is below its constitutional debt limit of \$6,190,967.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2012. Total revenues anticipated are \$6,957,751, a decrease from 2011 where total actual receipts were \$7,915,191. Total disbursements anticipated are \$6,800,229, a decrease from 2011 where total actual disbursements were \$7,176,286. The city continues to be conservative due to unsettled economic times and a desire to build reserves.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Loras Herrig, City Administrator, 106 N. Third Street, Bellevue IA 52031 or 563-872-4456.

**BASIC
FINANCIAL
STATEMENTS**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Public safety	\$ 690,612	\$ 8,300	\$ 371,693	\$ 99,928	\$ (210,691)	\$ ---	\$ (210,691)
Public works	429,592	---	267,125	---	(162,467)	---	(162,467)
Culture and recreation	272,426	36,222	27,743	632	(207,829)	---	(207,829)
Community and economic development	50,640	---	5,000	---	(45,640)	---	(45,640)
General government	347,785	13,719	---	---	(334,066)	---	(334,066)
Debt service	690,358	---	---	---	(690,358)	---	(690,358)
Capital projects	36,649	---	---	131,250	94,601	---	94,601
Total Governmental Activities	\$ 2,518,062	\$ 58,241	\$ 671,561	\$ 231,810	\$ (1,556,450)	\$ ---	\$ (1,556,450)
Business Type Activities:							
Water	\$ 220,087	\$ 277,806	\$ ---	\$ ---	\$ ---	\$ 57,719	\$ 57,719
Electric	1,823,739	2,271,236	---	---	---	447,497	447,497
Electric - capital equipment	31,218	---	---	---	---	(31,218)	(31,218)
Sewer rental	169,084	438,198	---	---	---	269,114	269,114
Sanitation	249,745	285,203	---	---	---	35,458	35,458
Ambulance	106,784	139,030	8,271	---	---	40,517	40,517
Telecommunications	804,681	816,428	---	---	---	11,747	11,747
Customer deposits	10,348	---	---	---	---	(10,348)	(10,348)
Total Business Type Activities	\$ 3,415,686	\$ 4,227,901	\$ 8,271	\$ ---	\$ ---	\$ 820,486	\$ 820,486
Total	\$ 5,933,748	\$ 4,286,142	\$ 679,832	\$ 231,810	\$ (1,556,450)	\$ 820,486	\$ (735,964)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
General Receipts and Transfers:							
Property tax levied for:							
General purposes					\$ 696,051	\$ ---	\$ 696,051
Debt service					141,051	---	141,051
Tax increment financing					286,488	---	286,488
Local option sales tax					172,740	---	172,740
Other city tax					16,801	---	16,801
Unrestricted interest on investments					4,699	8,583	13,282
Interfund debt repayment					---	64,089	64,089
Miscellaneous					48,380	23,987	72,367
Sale of assets					---	12,000	12,000
Transfers					521,640	(521,640)	---
Total General Receipts and Transfers					\$ 1,887,850	\$ (412,981)	\$ 1,474,869
Change in Cash Basis Net Assets					\$ 331,400	\$ 407,505	\$ 738,905
Cash Basis Net Assets Beginning of Year					781,707	227,534	1,009,241
Cash Basis Net Assets End of Year					\$ 1,113,107	\$ 635,039	\$ 1,748,146
Cash Basis Net Assets:							
Restricted:							
Expendable:							
Urban renewal purposes					\$ 107,177	\$ ---	\$ 107,177
Debt service					1,343	---	1,343
Public safety					96,908	---	96,908
Streets					66,518	---	66,518
Museum					25,364	---	25,364
Library					14,479	---	14,479
Ambulance					76,500	---	76,500
Fire department					111,301	---	111,301
Unrestricted					613,517	635,039	1,248,556
Total Cash Basis Net Assets					\$ 1,113,107	\$ 635,039	\$ 1,748,146

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

	General	TIF District	Capital Projects	Debt Service	Nonmajor	Total
Receipts:						
Property tax	\$ 505,431	\$ ---	\$ ---	\$ 141,051	\$ 190,620	\$ 837,102
Tax increment financing	---	286,488	---	---	---	286,488
Other city tax	99,064	---	---	---	86,370	185,434
Licenses and permits	13,719	---	---	---	---	13,719
Use of money and property	10,242	1,163	---	373	566	12,344
Intergovernmental	168,028	---	130,000	---	228,328	526,356
Charges for services	34,254	---	---	---	---	34,254
Miscellaneous	176,323	---	24,256	---	231,546	432,125
Total Receipts	\$ 1,007,061	\$ 287,651	\$ 154,256	\$ 141,424	\$ 737,430	\$ 2,327,822
Disbursements:						
Operating:						
Public safety	\$ 572,262	\$ ---	\$ ---	\$ ---	\$ 118,350	\$ 690,612
Public works	90,079	---	---	---	339,513	429,592
Culture and recreation	272,426	---	---	---	---	272,426
Community and economic development	1,250	49,390	---	---	---	50,640
General government	347,785	---	---	---	---	347,785
Debt service	---	---	---	690,358	---	690,358
Capital projects	---	---	36,649	---	---	36,649
Total Disbursements	\$ 1,283,802	\$ 49,390	\$ 36,649	\$ 690,358	\$ 457,863	\$ 2,518,062
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (276,741)	\$ 238,261	\$ 117,607	\$ (548,934)	\$ 279,567	\$ (190,240)

See notes to financial statements.

EXHIBIT "B" (Continued)

CITY OF BELLEVUE
BELLEVUE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	General	TIF District	Capital Projects	Debt Service	Nonmajor	Total
Other Financing Sources (Uses):						
Operating transfers in	\$ 590,150	\$ ---	\$ ---	\$ 549,388	\$ 3,000	\$ 1,142,538
Operating transfers out	(129,000)	(229,889)	---	---	(262,009)	(620,898)
Total Other Financing Sources (Uses)	\$ 461,150	\$ (229,889)	\$ ---	\$ 549,388	\$ (259,009)	\$ 521,640
Net Change in Cash Balances	\$ 184,409	\$ 8,372	\$ 117,607	\$ 454	\$ 20,558	\$ 331,400
Cash Balances Beginning of Year, as Restated	560,593	98,805	(105,994)	889	227,414	781,707
Cash Balances End of Year	\$ 745,002	\$ 107,177	\$ 11,613	\$ 1,343	\$ 247,972	\$ 1,113,107
Cash Basis Fund Balances:						
Restricted for:	\$ ---	\$ 107,177	\$ ---	\$ ---	\$ ---	\$ 107,177
Urban renewal purposes	---	---	---	1,343	---	1,343
Debt service	96,908	---	---	---	---	96,908
Public safety	6,347	---	---	---	60,171	66,518
Streets	25,364	---	---	---	---	25,364
Museum	14,479	---	---	---	---	14,479
Library	---	---	---	---	76,500	76,500
Ambulance	---	---	---	---	111,301	111,301
Fire department	---	---	11,613	---	---	11,613
Committed for capital projects	---	---	---	---	---	---
Assigned for:						
Railroad related improvements	35,635	---	---	---	---	35,635
Public Safety	19,727	---	---	---	---	19,727
Unassigned	546,542	---	---	---	---	546,542
Total Cash Basis Fund Balances	\$ 745,002	\$ 107,177	\$ 11,613	\$ 1,343	\$ 247,972	\$ 1,113,107

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

	Enterprise Funds			
	Water	Electric	Sewer Rental	Sanitation
Operating Receipts:				
Use of money and property	\$ ---	\$ 3,278	\$ ---	\$ ---
Charges for service	277,806	2,267,958	438,198	285,203
Miscellaneous	2,029	6,908	21	100
Total Operating Receipts	\$ 279,835	\$ 2,278,144	\$ 438,219	\$ 285,303
Operating Disbursements:				
Business type activities	\$ 180,087	\$ 1,823,739	\$ 169,084	\$ 249,745
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ 99,748	\$ 454,405	\$ 269,135	\$ 35,558
Non-Operating Receipts (Disbursements):				
Intergovernmental	\$ ---	\$ ---	\$ ---	\$ ---
Interest on investments	2,168	4,743	---	---
Interfund debt repayments	---	---	---	---
Debt service	(40,000)	---	---	---
Total Non-Operating Receipts (Disbursements)	\$ (37,832)	\$ 4,743	\$ ---	\$ ---
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 61,916	\$ 459,148	\$ 269,135	\$ 35,558
Other Financing Sources (Uses):				
Sale of capital assets	\$ ---	\$ ---	\$ ---	\$ ---
Operating transfers in	---	---	---	---
Operating transfers out	(42,425)	(196,363)	(241,775)	(34,180)
Total Other Financing Sources (Uses)	\$ (42,425)	\$ (196,363)	\$ (241,775)	\$ (34,180)
Net Change in Cash Balances	\$ 19,491	\$ 262,785	\$ 27,360	\$ 1,378
Cash Balances Beginning of Year, as restated	318,886	527,747	(86,363)	13,849
Cash Balances End of Year	\$ 338,377	\$ 790,532	\$ (59,003)	\$ 15,227
Cash Basis Fund Balances:				
Unrestricted	\$ 338,377	\$ 790,532	\$ (59,003)	\$ 15,227

See notes to financial statements.

EXHIBIT "C" CONTINUED

Enterprise Funds

Ambulance	Telecom- munications	Nonmajor	Total
\$ ---	\$ ---	\$ ---	\$ 3,278
139,030	816,428	---	4,224,623
775	3,585	10,569	23,987
-----	-----	-----	-----
\$ 139,805	\$ 820,013	\$ 10,569	\$ 4,251,888
-----	-----	-----	-----
\$ 106,784	\$ 660,970	\$ 41,566	\$ 3,231,975
-----	-----	-----	-----
\$ 33,021	\$ 159,043	\$ (30,997)	\$ 1,019,913
-----	-----	-----	-----
\$ 8,271	\$ ---	\$ ---	\$ 8,271
1,309	---	363	8,583
---	---	64,089	64,089
---	(143,711)	---	(183,711)
-----	-----	-----	-----
\$ 9,580	\$ (143,711)	\$ 64,452	\$ (102,768)
-----	-----	-----	-----
\$ 42,601	\$ 15,332	\$ 33,455	\$ 917,145
-----	-----	-----	-----
\$ ---	\$ ---	\$ 12,000	\$ 12,000
---	100,000	---	100,000
(5,000)	(101,897)	---	(621,640)
-----	-----	-----	-----
\$ (5,000)	\$ (1,897)	\$ 12,000	\$ (509,640)
-----	-----	-----	-----
\$ 37,601	\$ 13,435	\$ 45,455	\$ 407,505
178,508	(825,839)	100,746	227,534
-----	-----	-----	-----
\$ 216,109	\$ (812,404)	\$ 146,201	\$ 635,039
=====	=====	=====	=====
\$ 216,109	\$ (812,404)	\$ 146,201	\$ 635,039
=====	=====	=====	=====

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 - Summary of Significant Accounting Policies:

The City of Bellevue is a political subdivision of the State of Iowa located in Jackson County. It was first incorporated in 1851 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides, water, sewer, electric, sanitation, and cable and internet telecommunication utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Bellevue, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jackson County Assessor's Conference Board, Jackson County Joint E911 Service Board, Bellevue Economic Tourism Association, and Jackson County Municipal League.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds in their respective financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue, TIF District Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 - Summary of Significant Accounting Principles: (Continued)

B. Basis of Presentation (Continued)

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric system.

The Enterprise, Sewer Rental Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Sanitation Fund is used to account for the operation and maintenance of the City's refuse collection services.

The Enterprise, Ambulance Fund is used to account for the operation and maintenance of the City's ambulance service.

The Enterprise, Telecommunications Fund is used to account for the operation and maintenance of the City's cable television and internet system.

C. Measurement Focus and Basis of Accounting

The City of Bellevue maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 - Summary of Significant Accounting Principles: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the capital projects function.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 2 - Cash and Pooled Investments:

The City's deposits in banks at June 30, 2011, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Note 3 - Bonds and Notes Payable:

Annual debt service requirements to maturity for general obligation bonds/notes and revenue notes are as follows:

Year Ending June 30	General Obligation Bonds/Notes		Revenue Notes	
	Principal	Interest	Principal	Interest
2012	\$ 503,096	\$ 88,677	\$ 70,814	\$ 72,898
2013	502,850	72,637	73,596	70,116
2014	517,850	55,657	76,488	67,224
2015	372,850	37,739	79,494	64,218
2016	332,900	22,426	82,616	61,094
2017-2021	210,000	16,820	464,400	254,158
2022-2026	---	---	563,086	155,466
2027-2030	---	---	502,217	39,414
	<u>\$ 2,439,546</u>	<u>\$ 293,956</u>	<u>\$ 1,912,711</u>	<u>\$ 784,588</u>

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 3 - Bonds and Notes Payable: (Continued)

Year Ending June 30	Other Obligations		Total	
	Principal	Interest	Principal	Interest
2012	\$ 64,089	\$ ---	\$ 637,999	\$ 161,575
2013	64,085	---	640,531	142,753
2014	40,000	---	634,338	122,881
2015	40,000	---	492,344	101,957
2016	40,000	---	455,516	83,520
2017-2021	---	---	674,400	270,978
2022-2026	---	---	563,086	155,466
2027-2030	---	---	502,217	39,414
	<u>\$ 248,174</u>	<u>\$ ---</u>	<u>\$ 4,600,431</u>	<u>\$ 1,078,544</u>

Following is a summary of the terms and conditions of the notes outstanding as of June 30, 2011.

Revenue Notes:

The City has pledged future telecommunications customer receipts, net of specified operating disbursements, to repay \$2,000,000 in telecommunications utility revenue notes issued April 1, 2010. Proceeds from the notes were used for the refunding of project notes and provided financing for improving and upgrading the City's telecommunications system. The notes are payable solely from telecommunications customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 18 percent of the receipts. Total principal and interest remaining to be paid on the notes is \$2,697,299. For the current year, principal and interest paid and total customer net receipts were \$143,711 and \$816,428, respectively.

The resolution providing for the issuance of the telecommunications revenue notes include the following provisions:

- (a) The principal of the notes bears interest from the date of the notes until the first interest adjustment date at the rate of 3.86% per annum. On April 1, 2015, April 1, 2020, and April 1, 2025 the ("Interest Adjustment Dates"), the interest rate on the notes will be adjusted to a rate equal to 1.5% over the 5-year U.S. Treasury Constant Maturities as released by the Board of Governors of the Federal Reserve System.
- (b) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 3 - Bonds and Notes Payable: (Continued)

General Obligation Notes:

On July 23, 2001, the City entered into a loan agreement with Maquoketa Valley Electric Cooperative and provided for issuance of \$102,467 in General Obligation Corporate Purpose Notes.

On September 1, 2006, the City entered into a loan agreement with Bankers Trust and provided for issuance of \$1,850,000 in General Obligation Corporate Purpose Notes.

On May 29, 2009, the City entered into a loan agreement with Bellevue State Bank and provided for the issuance of \$150,000 in General Obligation Street Improvement Notes.

On May 29, 2009, the City entered into a loan agreement with Fidelity Bank and provided for the issuance of \$150,000 in General Obligation Street Improvement Notes.

On May 29, 2009, the City entered into a loan agreement with Bellevue State Bank and provided for the issuance of \$350,000 in General Obligation Street/Sidewalk Improvement Notes.

On May 29, 2009, the City entered into a loan agreement with Fidelity Bank and provided for the issuance of \$350,000 in General Obligation Street/Sidewalk Improvement Notes.

On November 23, 2009, the City entered into a loan agreement with Bellevue State Bank and provided for the issuance of \$125,000 in General Obligation/Water and Sanitary Sewer Improvement Notes.

On November 23, 2009, the City entered into a loan agreement with Fidelity Bank and provided for the issuance of \$125,000 in General Obligation/Water and Sanitary Sewer Improvement Notes.

On March 1, 2010, the City issued \$815,000 of general obligation refunding bonds with an average rate of 1.62% to redeem \$780,000 in 1999 Series revenue notes and 2000 Series general obligation notes with an average rate of 5.04%. The City refunded the 1999 sewer revenue and 2000 general obligation notes to change its debt service requirements from approximately \$874,000 to approximately \$843,000 over the five years 2010 through 2014, resulting in an economic gain (difference between the present value of the old and new debt) of approximately \$28,000.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 3 - Bonds and Notes Payable: (Continued)

Other Obligations:

On February 1, 2004, the City of Bellevue entered into an agreement to repay the Electric Capital Improvement Fund \$240,886 expended for municipal water and sewer improvements for an area annexed on the northerly city limits of Bellevue. This amount will be repaid in annual installments of \$24,089 with the final payment due June 1, 2014.

On June 30, 2004, the City of Bellevue entered into an agreement to repay the Electric Capital Improvement Fund \$400,000 expended for municipal wells. This amount will be repaid in annual installments of \$40,000 with the final payment due December 1, 2015.

Note 4 - Pension and Retirement Benefits:

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$77,062, \$73,274, and \$71,420, respectively, equal to the required contributions for each year.

Note 5 - Other Postemployment Benefits (OPEB):

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 22 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Medical Associates Health Plans. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 5 - Other Postemployment Benefits (OPEB): (Continued)

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$411 for single coverage and \$1,044 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$171,041 and plan members eligible for benefits contributed \$54,342 to the plan.

Note 6 - Development Agreements:

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate the incremental tax paid by the developer in exchange for the construction of buildings, housing, and certain infrastructure by the developers. The obligations under several of the agreements are not subject to annual appropriation by the City Council; however, the amount of the City's obligation cannot be determined.

These agreements require the City to rebate all of the incremental tax for a period not to exceed 10 years with no predetermined maximum amount to be paid. The City has rebated a total of \$478,809 of incremental tax under these agreements. Of this amount, \$45,767 was paid during the current year. The obligation under the other agreement is subject to annual appropriation by the City Council. The total to be paid by the City under this agreement is not to exceed \$28,808. The City has rebated a total of \$14,299 under this agreement. Of this amount \$3,623 was paid during the current year.

These agreements are not a general obligation of the City. However, the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

Note 7 - 28 E Agreements:

Communications Services -

On May 23, 1983, the City entered into a 28E Agreement with the City of Maquoketa. The agreement is for the purpose of providing the City of Bellevue with communication services for law enforcement and community protection purposes.

Community Protection Services -

On May 27, 1986, the City entered into a 28E Agreement with the Cities of Maquoketa, Preston, and Sabula. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 24, 1990, the City entered into a 28E Agreement with Jackson County. The agreement is for the purpose of providing more efficient law enforcement protection.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 7 - 28 E Agreements: (Continued)

On April 28, 1999, the City entered into a 28E Agreement with the Bellevue Rural Fire Agency of Jackson County. The agreement is for the purpose of providing more efficient fire protection.

Landfill Operation -

In 1971 the City entered into a 28E Agreement with other Jackson County communities. The agreement is for the purpose of providing more efficient landfill operations.

Contract Law Enforcement -

In 2011, the City renewed its 28E Agreement with the Corp. of Engineers to provide increased law enforcement services during the period of May 15 - September 17, 2011 for the Pleasant Creek Recreation Area, Mississippi River Project.

Note 8 - 28 D Agreement:

Drug Task Force -

In 1997, the City entered into a 28D Agreement with various Jackson County and Jones County law enforcement agencies. The purpose of the agreement is to recognize the guidelines, terms and conditions set forth in the Iowa Code Chapter 28D relating to the interchange of federal, state, and local government employees in regards to the above 28E Drug Task Force Agreement.

Note 9 - Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave and personal leave accumulates but is not payable upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation leave termination payments payable to employees at June 30, 2011, primarily relating to the General and Utility Funds, is as follows:

Type of Benefit	Amount
-----	-----
Vacation	\$ 63,351
	=====

The liability has been computed based on rates of pay as of June 30, 2011.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 10 - Interfund Transfers:

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to -----	Transfer from -----	Amount -----
General	Special Revenue:	
	Employee Benefits	\$ 190,860
	Enterprise:	
	Water	32,425
	Electric	196,363
	Sewer Rental	32,425
	Sanitation	31,180
	Ambulance	5,000
	Telecommunications	101,897

		\$ 590,150

Special Revenue:	Enterprise:	
LOT - Street Improvement	Sanitation	\$ 3,000

Debt Service	General	\$ 29,000
	Special Revenue:	
	TIF - District	229,889
	LOT - Street Improvement	53,149
	Fire Department Capital	18,000
	Enterprise:	
	Water	10,000
	Sewer Capital	209,350

		\$ 549,388

Enterprise:		
Telecommunications	General	\$ 100,000

Total		\$1,242,538
		=====

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) move "in lieu of tax" payments from the enterprise funds, and (4) provide capital contributions.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 11 - Risk Management:

The City of Bellevue is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$103,483.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 11 - Risk Management: (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Note 12 - Deficit Fund Balance:

The Sewer Rental Fund and the Telecommunications Fund had deficit balances at June 30, 2011, in the amount of \$59,003 and \$812,404, respectively.

Note 13 - Related Party Transactions:

The City had business transactions between the City and City officials totaling \$2,036 during the year ended June 30, 2011.

Note 14 - Commitments and Contingencies:

In fiscal year 2011, the City entered into two contracts totaling \$269,632 for water and street improvements. No work had been performed under either contract at June 30, 2011.

During fiscal year 2011, the City was named in litigation filed by two individuals claiming they were injured during a community event. The city intends to defend itself vigorously in this matter and motions for summary judgment have been filed on behalf of the City. The City is unable to estimate a range of possible loss, if any.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 15 - Subsequent Events:

In September 2011, the City issued \$425,000 of general obligation notes for water and street improvements.

In November 2011, the City entered into a development agreement for an urban renewal project. The agreement requires the City to rebate the incremental tax paid on property within the urban development area for a period of 15 years; however, the amount of property taxes to be rebated cannot exceed \$2,000,000.

In March 2012, the City issued \$3,150,000 of telecommunications revenue and refunding notes for improvements to the telecommunication system and to refund the outstanding telecommunications notes.

In March 2012, the City awarded a contract for storm sewer improvements in the amount of \$343,049.

In June 2012, the City issued \$450,000 of general obligation notes for storm sewer improvements.

Subsequent events have been evaluated by management through June 6, 2012, which is the date the financial statements were available to be issued.

Note 16 - Accounting Change/Restatement:

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Special Revenue	Proprietary
	Ambulance Gift Fund	Ambulance Gift Fund
Balances June 30, 2010, as previously reported	\$ ---	\$ 87,503
Change in fund type classification per implementation of GASB Statement No. 54	87,503	(87,503)
Balances July 1, 2010, as restated	\$ 87,503	\$ ---

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	Governmental Funds		Proprietary Funds	Budgeted Amounts		Final to Total Variance	
	Actual		Actual	Total	Original		Final
Receipts:							
Property tax	\$ 837,102		\$ ---	\$ 837,102	\$ 819,445	\$ 1,262,297	\$ (425,195)
Tax increment financing	286,488		---	286,488	278,625	278,625	7,863
Other city tax	185,434		---	185,434	228,034	228,034	(42,600)
Licenses and permits	13,719		---	13,719	14,900	27,000	(13,281)
Use of money and property	12,344		11,861	24,205	6,900	26,990	(2,785)
Intergovernmental	526,356		8,271	534,627	357,519	489,855	44,772
Charges for service	34,254		4,224,623	4,258,877	3,985,750	4,197,350	61,527
Miscellaneous	432,125		88,076	520,201	86,722	409,860	110,341
Total Receipts	\$ 2,327,822		\$ 4,332,831	\$ 6,660,653	\$ 5,777,895	\$ 6,920,011	\$ (259,358)
Disbursements:							
Public safety	\$ 690,612		\$ ---	\$ 690,612	\$ 799,676	\$ 864,119	\$ 173,507
Public works	429,592		---	429,592	412,590	447,421	17,829
Culture and recreation	272,426		---	272,426	280,853	287,175	14,749
Community and economic development	50,640		---	50,640	279,625	279,625	228,985
General government	347,785		---	347,785	346,437	381,858	34,073
Debt service	690,358		---	690,358	218,133	701,929	11,571
Capital projects	36,649		---	36,649	---	---	(36,649)
Business-type activities	---		3,415,686	3,415,686	3,667,166	4,525,084	1,109,398
Total Disbursements	\$ 2,518,062		\$ 3,415,686	\$ 5,933,748	\$ 6,004,480	\$ 7,487,211	\$ 1,553,463

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS)-
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011**

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (190,240)	\$ 917,145	\$ 726,905	\$ (226,585)	\$ (567,200)	\$ 1,294,105
Other Financing Sources (Uses), Net	521,640	(509,640)	12,000	---	491,320	(479,320)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under)	\$ 331,400	\$ 407,505	\$ 738,905	\$ (226,585)	\$ (75,880)	\$ 814,785
Disbursements and Other Financing Uses						
Balances Beginning of Year	781,707	227,534	1,009,241	1,223,299	2,223,299	(1,214,058)
Balances End of Year	\$ 1,113,107	\$ 635,039	\$ 1,748,146	\$ 996,714	\$ 2,147,419	\$ (399,273)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING**

JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,482,731. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the capital projects function.

**OTHER
SUPPLEMENTARY
INFORMATION**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES - NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

	Special Revenue					
	Road Use Tax	Employee Benefits	LOT - Street Improvement	Fire Department Gift Fund	Ambulance Gift Fund	Total
Receipts:						
Property tax	\$ ---	\$ 190,620	\$ ---	\$ ---	\$ ---	\$ 190,620
Other city tax	---	---	86,370	---	---	86,370
Use of money and property	---	240	136	70	120	566
Intergovernmental	209,636	---	12,489	---	6,203	228,328
Miscellaneous	---	---	7,440	123,232	100,874	231,546
	-----	-----	-----	-----	-----	-----
Total Receipts	\$ 209,636	\$ 190,860	\$ 106,435	\$ 123,302	\$ 107,197	\$ 737,430
	-----	-----	-----	-----	-----	-----
Disbursements:						
Operating:						
Public safety	\$ ---	\$ ---	\$ ---	\$ 150	\$ 118,200	\$ 118,350
Public works	214,020	---	125,493	---	---	339,513
	-----	-----	-----	-----	-----	-----
Total Disbursements	\$ 214,020	\$ ---	\$ 125,493	\$ 150	\$ 118,200	\$ 457,863
	-----	-----	-----	-----	-----	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (4,384)	\$ 190,860	\$ (19,058)	\$ 123,152	\$ (11,003)	\$ 279,567
	-----	-----	-----	-----	-----	-----
Other Financing Sources (Uses):						
Transfers in	\$ ---	\$ ---	\$ 3,000	\$ ---	\$ ---	\$ 3,000
Transfers out	---	(190,860)	(53,149)	(18,000)	---	(262,009)
	-----	-----	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ ---	\$ (190,860)	\$ (50,149)	\$ (18,000)	\$ ---	\$ (259,009)
	-----	-----	-----	-----	-----	-----
Net Change in Cash Balances	\$ (4,384)	\$ ---	\$ (69,207)	\$ 105,152	\$ (11,003)	\$ 20,558
Cash Balances Beginning of Year, as Restated	43,343	---	90,419	6,149	87,503	227,414
	-----	-----	-----	-----	-----	-----
Cash Balances End of Year	\$ 38,959	\$ ---	\$ 21,212	\$ 111,301	\$ 76,500	\$ 247,972
	=====	=====	=====	=====	=====	=====
Cash Basis Fund Balances:						
Restricted for:						
Streets	\$ 38,959	\$ ---	\$ 21,212	\$ ---	\$ ---	\$ 60,171
Ambulance	---	---	---	---	76,500	76,500
Fire department	---	---	---	111,301	---	111,301
	-----	-----	-----	-----	-----	-----
Total Cash Basis Fund Balances	\$ 38,959	\$ ---	\$ 21,212	\$ 111,301	\$ 76,500	\$ 247,972
	=====	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH
BALANCES – NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

	Electric- Capital Equipment	Customer Deposits	Total
	-----	-----	-----
Operating Receipts:			
Miscellaneous	\$ ---	\$ 10,569	\$ 10,569
	-----	-----	-----
Operating Disbursements:			
Business type activities	\$ 31,218	\$ 10,348	\$ 41,566
	-----	-----	-----
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ (31,218)	\$ 221	\$ (30,997)
	-----	-----	-----
Non-Operating Receipts (Disbursements):			
Interest on investments	\$ 363	\$ ---	\$ 363
Interfund debt repayment	64,089	---	64,089
	-----	-----	-----
Net Non-Operating Receipts (Disbursements)	\$ 64,452	\$ ---	\$ 64,452
	-----	-----	-----
Excess of Receipts Over Disbursements	\$ 33,234	\$ 221	\$ 33,455
Other Financing Sources (Uses):			
Sale of capital assets	12,000	---	12,000
	-----	-----	-----
Net Change in Cash Balances	\$ 45,234	\$ 221	\$ 45,455
Cash Balances Beginning of Year	71,151	29,595	100,746
	-----	-----	-----
Cash Balances End of Year	\$ 116,385	\$ 29,816	\$ 146,201
	=====	=====	=====
Cash Basis Fund Balances:			
Unrestricted	\$ 116,385	\$ 29,816	\$ 146,201
	=====	=====	=====

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2011**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds/Notes:									
Fire Station Note:									
Maquoketa Valley Electric Cooperative	July 23, 2001	---	\$ 102,467	\$ 20,493	\$ ---	\$ 10,247	\$ 10,246	\$ ---	\$ ---
Street/Water/Sewer Improvements Notes:									
Bankers Trust	September 1, 2006	3.90%-4.30%	1,850,000	1,190,000	---	180,000	1,010,000	49,889	---
Bellevue State Bank	November 23, 2009	3.75%	125,000	125,000	---	25,000	100,000	4,753	---
Fidelity Bank	November 23, 2009	3.75%	125,000	125,000	---	25,000	100,000	4,753	---
Street Improvement Notes:									
Bellevue State Bank	May 29, 2009	3.95%	150,000	128,575	---	21,425	107,150	5,149	---
Fidelity Bank	May 29, 2009	3.95%	150,000	128,575	---	21,425	107,150	5,149	---
Street/Sidewalk Improvement Note:									
Bellevue State Bank	May 29, 2009	3.95%	350,000	315,000	---	35,000	280,000	12,615	---
Fidelity Bank	May 29, 2009	3.95%	350,000	315,000	---	35,000	280,000	12,615	---
Sewer Refunding Bonds:									
Bankers Trust	March 1, 2010	1.00%-2.00%	815,000	635,000	---	190,000	445,000	9,350	---
Total General Obligation				\$ 2,982,643	\$ ---	\$ 543,097	\$ 2,439,546	\$ 104,273	\$ ---

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2011**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Revenue Notes:									
Telecommunications Notes:									
Bellevue State Bank	April 1, 2010	3.86%	\$ 1,000,000	\$ 990,994	\$ ---	\$ 34,636	\$ 956,358	\$ 37,312	\$ ---
Fidelity Bank	April 1, 2010	3.86%	1,000,000	990,990	---	34,637	956,353	37,126	---
Total Revenue Notes				\$ 1,981,984	\$ ---	\$ 69,273	\$ 1,912,711	\$ 74,438	\$ ---
Other Obligations:									
General Fund - Interfund Loan	February 1, 2004	---	\$ 240,886	\$ 72,263	\$ ---	\$ 24,089	\$ 48,174	\$ ---	\$ ---
Water Fund - Interfund Loan	June 30, 2004	---	400,000	240,000	---	40,000	200,000	---	---
Fire Truck Note:									
Iowa Department of Public Safety	September 16, 2008	---	70,000	18,000	---	18,000	---	---	---
Total Other Obligations				\$ 330,263	\$ ---	\$ 82,089	\$ 248,174	\$ ---	\$ ---

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BOND AND NOTE MATURITIES
JUNE 30, 2011**

	General Obligation Notes					
	Fire Station	Street, Water, Sewer	Street Improvement	Street Improvement	Interest Rates	Amount
Year Ending June 30	Interest Rates	Interest Rates	Interest Rates	Interest Rates	Interest Rates	Amount
	Issued July 23, 2001	Issued September 1, 2006	Issued May 29, 2009	Issued May 29, 2009	Issued May 29, 2009	Issued May 29, 2009
2012	.00%	4.125%	3.95%	3.95%	3.95%	\$ 21,425
2013	---	4.150%	3.95%	3.95%	3.95%	21,425
2014	---	4.200%	3.95%	3.95%	3.95%	21,425
2015	---	4.250%	3.95%	3.95%	3.95%	21,425
2016	---	4.300%	3.95%	3.95%	3.95%	21,450
Total	\$ 10,246	\$ 1,010,000	\$ 107,150	\$ 107,150		\$ 107,150

CITY OF BELLEVUE
BELLEVUE, IOWA

BOND AND NOTE MATURITIES
JUNE 30, 2011

General Obligation Notes

Year Ending June 30	Street/Sidewalk		Street/Sidewalk		Street/Water/Sewer		Street/Water/Sewer		Sewer Refunding		Total
	Issued May 29, 2009		Issued May 29, 2009		Issued November 29, 2009		Issued November 29, 2009		Issued March 1, 2010		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	3.95%	\$ 35,000	3.95%	\$ 35,000	3.75%	\$ 25,000	3.75%	\$ 25,000	1.30%	\$ 145,000	\$ 503,096
2013	3.95%	35,000	3.95%	35,000	3.75%	25,000	3.75%	25,000	1.70%	145,000	502,850
2014	3.95%	35,000	3.95%	35,000	3.75%	25,000	3.75%	25,000	2.00%	155,000	517,850
2015	3.95%	35,000	3.95%	35,000	3.75%	25,000	3.75%	25,000	---	---	372,850
2016	3.95%	35,000	3.95%	35,000	---	---	---	---	---	---	332,900
2017	3.95%	35,000	3.95%	35,000	---	---	---	---	---	---	70,000
2018	3.95%	35,000	3.95%	35,000	---	---	---	---	---	---	70,000
2019	3.95%	35,000	3.95%	35,000	---	---	---	---	---	---	70,000
Total		\$ 280,000		\$ 280,000		\$ 100,000		\$ 100,000		\$ 445,000	\$ 2,439,546

CITY OF BELLEVUE
BELLEVUE, IOWA

BOND AND NOTE MATURITIES
JUNE 30, 2011

Year Ending June 30	Revenue Notes			Other Obligations				
	Telecommunications			Water/Sewer Improvements		Water		
	Issued April 1, 2010			Issued February 1, 2004		Issued June 30, 2004		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Total
2012	3.86%	\$ 35,407	3.86%	\$ 35,407	---	\$ 24,089	---	\$ 64,089
2013	3.86%	36,798	3.86%	36,798	---	24,085	---	64,085
2014	3.86%	38,244	3.86%	38,244	---	---	---	40,000
2015	3.86%	39,747	3.86%	39,747	---	---	---	40,000
2016	3.86%	41,308	3.86%	41,308	---	---	---	40,000
2017	3.86%	42,931	3.86%	42,931	---	---	---	40,000
2018	3.86%	44,618	3.86%	44,618	---	---	---	---
2019	3.86%	46,371	3.86%	46,371	---	---	---	---
2020	3.86%	48,193	3.86%	48,193	---	---	---	---
2021	3.86%	50,087	3.86%	50,087	---	---	---	---
2022	3.86%	52,054	3.86%	52,054	---	---	---	---
2023	3.86%	54,100	3.86%	54,100	---	---	---	---
2024	3.86%	56,225	3.86%	56,225	---	---	---	---
2025	3.86%	58,434	3.86%	58,434	---	---	---	---
2026	3.86%	60,730	3.86%	60,730	---	---	---	---
2027	3.86%	63,116	3.86%	63,116	---	---	---	---
2028	3.86%	65,596	3.86%	65,596	---	---	---	---
2029	3.86%	68,174	3.86%	68,174	---	---	---	---
2030	3.86%	54,225	3.86%	54,220	---	---	---	---
Total		\$ 956,358		\$ 956,353		\$ 48,174		\$ 200,000
								\$ 248,174

CITY OF BELLEVUE
BELLEVUE, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Receipts:										
Property tax	\$ 837,102	\$ 722,589	\$ 667,720	\$ 644,719	\$ 642,154	\$ 546,571	\$ 498,867	\$ 487,876	\$ 543,041	\$ 557,017
Tax increment financing	286,488	401,214	297,412	293,229	51,096	76,502	66,993	67,051	37,085	31,188
Other city tax	185,434	171,326	170,662	169,377	168,422	144,020	141,572	164,223	173,660	144,022
Licenses and permits	13,719	14,698	14,593	13,420	13,421	11,327	9,760	4,803	4,780	8,218
Use of money and property	12,344	9,664	11,965	23,776	48,022	36,768	19,623	66,214	17,434	20,926
Intergovernmental	526,356	482,684	305,970	267,203	256,036	300,198	430,717	262,901	331,270	257,968
Charges for services	34,254	33,159	30,433	35,237	35,284	37,140	27,336	23,310	24,672	25,361
Miscellaneous	432,125	576,039	127,373	130,960	62,297	91,906	95,226	147,064	47,042	48,506
Total	\$ 2,327,822	\$ 2,411,373	\$ 1,626,128	\$ 1,577,921	\$ 1,276,732	\$ 1,244,432	\$ 1,290,094	\$ 1,223,442	\$ 1,178,984	\$ 1,093,206
Disbursements:										
Operating:										
Public safety	\$ 690,612	\$ 434,801	\$ 590,501	\$ 406,646	\$ 401,721	\$ 383,556	\$ 358,504	\$ 374,221	\$ 354,078	\$ 309,035
Public works	429,592	359,853	476,719	419,147	2,048,764	576,783	336,235	292,279	211,154	265,107
Culture and recreation	272,426	238,277	297,908	240,738	274,190	273,144	373,284	552,543	253,251	22,437
Community and economic development	50,640	76,579	70,805	7,053	6,987	10,055	12,630	9,259	18,112	10,544
General government	347,785	346,116	327,883	327,948	358,703	397,234	259,011	259,108	277,566	258,557
Debt service	690,358	656,952	876,026	456,016	440,669	200,076	182,654	199,858	237,793	219,053
Capital projects	36,649	697,932	352,917	431,850	---	---	---	50,520	---	---
Total	\$ 2,518,062	\$ 2,810,510	\$ 2,992,759	\$ 2,289,398	\$ 3,531,034	\$ 1,840,848	\$ 1,522,318	\$ 1,737,788	\$ 1,351,954	\$ 1,084,733

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Bellevue, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated June 6, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our report included a disclaimer of opinion on the required supplementary information including Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bellevue's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Bellevue's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Bellevue's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Bellevue's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-D-11, I-E-11, and I-F-11 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-G-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bellevue's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of non-compliance that are required to be reported under Government Auditing Standards which is noted in Part I items I-A-11, I-B-11 and I-C-11 in the accompanying Schedule of Findings. In addition, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Bellevue's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Bellevue's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bellevue and other parties to whom the City of Bellevue may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Bellevue during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks + Co., P.C.

Dubuque, Iowa

June 6, 2012

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

I-A-11 Telecommunication Services – The City did not consistently allocate the wages of City employees performing services for the telecommunication municipal utility as required by Chapter 388.10 of the Code of Iowa. No wages for service calls were allocated to the Telecommunications Fund during the year resulting in an understatement of telecommunication service expenses of an unknown amount.

Recommendation – All wages of employees performing telecommunications work should be allocated to the Telecommunications Fund.

Response – An agreement will be worked out between the Utility and the City for mutual use of the telecommunication system.

Conclusion – Response accepted.

I-B-11 Telecommunication Services – The City transferred money from the General Fund to the Telecommunications Fund. This may not be in accordance with Chapter 388.10 of the Code of Iowa which states a city that owns or operates a municipal utility providing telecommunications cannot use General Fund monies for the ongoing support or subsidy of a telecommunications system.

Recommendation – The City should not support telecommunications from other governmental funds. The City should consider consulting an attorney regarding whether the Telecommunications Fund may possibly have to repay monies received from the General Fund.

Response – In the future the City will only use funds from the Telecommunications Fund to support telecommunications services.

Conclusion – Response accepted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011**

Part I: Findings Related to the Financial Statements: (Continued)

- I-C-11 Telecommunication Services – By having a large deficit balance in the Telecommunications Fund, the fund is in effect borrowing from the City's other funds including the General Fund which is not allowed according to Chapter 388.10 of the Code of Iowa.

Recommendation – The City should consider borrowing funds from outside sources to eliminate the deficit.

Response – The City will investigate that option at the earliest possible convenience. The City is also raising rates and looking at ways to reduce expenses to eliminate the deficit.

Conclusion – Response accepted.

MATERIAL WEAKNESSES

- I-D-11 Segregation of Duties - One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the individual who reconciles the City's checking account is also authorized to sign checks.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances. We recommend that the bank statements be delivered directly to the City Administrator for review before being given to the individual responsible for the account reconciliations.

Response - We will investigate this.

Conclusion - Response accepted.

- I-E-11 Vendors - The City Clerk is able to add new vendors to the City's records prior to receiving approval of the City Council or City Administrator.

Recommendation - The City Administrator should continue to approve all new vendors that the City does business with. Where practical, the City Council should also specifically approve these on a monthly basis.

Response - We will investigate ways to implement this change.

Conclusion - Response accepted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011**

Part I: Findings Related to the Financial Statements: (Continued)

I-F-11 Adjusting Journal Entries - Several adjusting entries were proposed to management to represent a fair presentation of the financial statements. The most significant adjustments were reclassifying grant proceeds.

Recommendation - We recommend the City implement procedures to reasonably assure that account balances are fairly stated.

Response - We will consider this.

Conclusion - Response accepted.

SIGNIFICANT DEFICIENCIES:

I-G-11 Employee Pay Rates – It was noted that two City employees were performing duties for the City departments other than their usual department and not being paid overtime.

Recommendation – The City should ensure employees are being paid accordingly.

Response – The City will ensure employees are being paid properly.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-11 Certified Budget - Disbursements during the year ended June 30, 2011, exceeded the amount budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-11 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Marie Zeimet, Administrative Staff, Owner of Zeimet's Garage, Inc.	Repairs & Maintenance	\$ 2,036

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the employees do not appear to represent conflicts of interest since the transactions with each individual were less than \$2,500 during the fiscal year.

II-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but weren't.

II-G-11 Revenue Notes - No instances of non-compliance with the revenue note resolution were noted.

II-H-11 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011**

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-I-11 Financial Condition - The Sewer Rental Fund and the Telecommunications Fund had deficit balances at June 30, 2011, in the amount of \$59,003 and \$812,404, respectively.

Recommendation - The City should investigate alternatives to eliminate the deficits in these funds in order to return the funds to a sound financial position.

Response – We have refinanced the debt of the wastewater utility and have raised rates to replenish the Sewer Rental Fund. We have refinanced the telecommunications debt and have raised rates and are looking for ways to reduce expenses to reduce the deficit.

Conclusion - Response accepted.

II-J-11 Utility Rates - We noted a utility rate being charged to customers that had not been approved by City ordinance.

Recommendation - The City should ensure that all utility rates are approved by City ordinance prior to being included on customer billings.

Response - We will approve all utility rates by ordinance.

Conclusion - Response accepted.